

LEGISLATIVE AUDIT COMMISSION



Review of
Southern Illinois University
Year Ended June 30, 1999

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW: 4119
SOUTHERN ILLINOIS UNIVERSITY
YEAR ENDED JUNE 30, 1999

FINDINGS/RECOMMENDATIONS - 9

ACCEPTED - 6
IMPLEMENTED - 3

REPEATED RECOMMENDATIONS - 3

PRIOR FINDINGS/RECOMMENDATIONS - 12

This review summarizes the audit of Southern Illinois University for the year ended June 30, 1999, filed with the Legislative Audit Commission March 21, 2000. The auditors performed a financial and compliance audit in accordance with State law and the requirements of the Federal Single Audit Act and OMB Circular 133. The auditors stated that the financial statements were fairly presented.

Southern Illinois University is a comprehensive university with medical, dental, and law schools, and with degree programs from the associate to the professional and doctoral levels. It has two main campuses: one in Carbondale and the other in Edwardsville. The University also has a medical school in Springfield and a dental school in Alton. The Southern Illinois University Board of Trustees governs Southern Illinois University. Dr. Ted Sanders was the President of the University from July 1, 1995 until February 1, 2000. Dr. Frank Horton, served as interim president from February through September 2000. Dr. Horton was the Vice-President for Academic Affairs and Research at SIUC from 1975-1980. The new president, Dr. James E. Walker, began his term on October 1, 2000. Dr. Walker was an assistant professor of education at SIUE from 1972 through 1974.

General Information

Following is a comparative summary of gross assets of the University at the dates indicated:

	<i>FY99</i>	<i>FY98</i>
Current Funds-		
Unrestricted	\$ 99,876,587	\$ 93,811,248
Restricted	21,171,362	17,655,085
Loan Funds	20,312,487	19,329,737
Endowment Funds	820,916	821,442
Plant Funds	839,980,977	802,131,461
Agency Funds	1,905,092	3,556,513
TOTAL	\$ 984,067,421	\$ 937,305,486

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Information on employee headcount is as follows:

	1998			1997		
	<u>SIUC</u>	<u>SIUE</u>	<u>Total</u>	<u>SIUC</u>	<u>SIUE</u>	<u>Total</u>
Faculty	1,666	781	2,447	1,708	772	2,480
Graduate Assistants	1,538	393	1,931	1,531	361	1,892
Civil Service	2,633	900	3,533	2,876	884	3,760
Admin/Prof Staff	662	433	1,095	707	416	1,123
TOTAL	6,499	2,507	9,006	6,822	2,433	9,255

Student enrollment, including undergraduate and graduate students, during the fall semester was as follows:

	1998			1997		
	<u>SIUC</u>	<u>SIUE</u>	<u>Total</u>	<u>SIUC</u>	<u>SIUE</u>	<u>Total</u>
Full-time	18,166	7,848	26,014	18,155	7,334	25,489
Part-time	4,085	3,672	7,757	3,753	3,873	7,626
Total	22,251	11,520	33,771	21,908	11,207	33,115
Full-time equivalent	18,688	8,831	27,519	18,583	8,404	26,987

The annual cost per full-time student (instruction only) was \$6,785, in FY99, compared to \$6,728 in FY98.

Expenditures From Appropriations and the Income Fund

Appendix A presents a summary of expenditures from appropriations and the Income Fund for FY99 and FY98. The General Assembly appropriated \$189,196,400 from the General Revenue Fund and \$19,957,500 from the Education Assistance Fund; and \$84,803,447 came from the Income Fund, for a total of \$293,957,347. Total expenditures in FY99 equaled \$290,066,874, compared to \$278,494,410 in FY98. The primary reason for the increase in expenditures from FY98 to FY99 was due to salary increases and increases in computer equipment expenditures.

Accrued Compensated Absences

Southern Illinois University's liability for accrued compensated absences (sick and vacation) as of June 30, 1999 was \$48,066,116. This represents an annual percentage increase of .5% over FY98. The combined accrued compensated absences liability represents 18.4% of total covered payroll. Accrued liability for compensated absences as a percentage of total covered payroll increased annually throughout most of the 1990s from 14.7% in FY90 to

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18.8% in FY97. FY98 represented the first percentage decrease at 18.4%, and the percentage stayed the same for FY99.

Current Income and Expenditures

The table appearing in Appendix B presents a summary of current income and expenditures for the years ended June 30, 1999 and 1998. Total revenues as of June 30, 1999 were \$548,468,200 compared to \$531,603,000 as of June 30, 1998. The following chart shows revenues by source for FY99 and FY98:

Revenues	FY99	FY98
<i>Tuition & Fees</i>	17.8%	17.5%
<i>State Appropriations</i>	38.1%	37.5%
<i>Federal Grants & Contracts</i>	7.9%	7.5%
<i>Payments on Behalf of University</i>	9.4%	9.1%
<i>Auxiliary Enterprises</i>	10.6%	10.2%
<i>Other</i>	16.2%	18.2%

Expenditures and mandatory transfers increased from \$536,392,900 in FY98 to \$564,523,171 in FY99. The following chart indicates expenditures by type for FY99 and FY98:

Expenditures	FY99	FY98
<i>Instruction</i>	33.1%	33.8%
<i>Research</i>	5.7%	5.7%
<i>Public Service</i>	8.2%	7.8%
<i>Academic Support</i>	12.6%	12.8%
<i>Institutional Support</i>	9.7%	9.3%
<i>Plant</i>	7.8%	8.1%
<i>Auxiliary Enterprises</i>	9.1%	9.2%
<i>Other</i>	13.8%	13.3%

Accounts Receivable

Appendix C is a summary of the University's accounts receivable for FY99 and FY98. Total accounts receivable increased from \$38,150,459 in FY98 to \$40,037,136 in FY 99, primarily due to receivables associated with the At-Risk Program, Manufacturing Extension Service, Illinois Groundwater Consortium, and Occupational Skills Testing, all at Carbondale, and restricted federal financial aid accounts at Edwardsville.

Property and Equipment

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Appendix D summarizes the changes in property and equipment for fiscal year 1999 and 1998. The ending balance in FY99 was \$27.8 million greater than the beginning balance in FY98. The increase was due to the completion of the Prairie Hall Dorm (\$17.6 million), construction in progress at the Engineering Building (\$9.8 million), and \$5.3 million in new books for the library at SIUC.

Foundation Payments to the University

During FY99 the University engaged both the Southern Illinois University Foundation at Carbondale and the Southern Illinois University Foundation at Edwardsville under contract to provide fund raising services. The University paid the Foundation at Carbondale \$2,206,233 in funds and in-kind services and rent to the Foundation. Although not required under contract, the Foundation provided the University certain funds considered unrestricted for purposes of the University Guideline's computations. Total funds provided by the Foundation at Carbondale to the University equaled \$8,481,178 in FY99 compared to \$6,992,224 in FY98.

The University paid the Foundation at Edwardsville \$463,386 in funds and in-kind services and rent to the Foundation. Although not required under contract, the Foundation provided the University certain funds considered unrestricted for purposes of the University Guideline's computations. Total funds provided by the Foundation at Edwardsville to the University equaled \$1,322,741 in FY99 compared to \$1,414,230 in FY98.

Information regarding the two foundations is found in Appendix E.

Tuition and Fee Waivers

During FY99, Southern Illinois University at Carbondale granted \$8,815,300 in tuition and fee waivers, with Southern Illinois University at Edwardsville granting a total of \$2,882,300 in tuition and fee waivers, for a total of \$11,697,000. Appendix F provides a summary of the tuition and fee waivers granted in FY99 and FY98. The Carbondale campus reduced the dollar value of tuition and fee waivers granted in FY99, when compared to FY98. The dollar value of the waivers granted in FY99 at the Edwardsville campus was 19% higher than FY98.

Accountants' Findings and Recommendations

Condensed below are the nine findings and recommendations presented in the audit report. There were five repeated recommendations. The following recommendations are classified on the basis of information provided by Dr. James E. Walker, President, in a letter dated October 6, 2000.

Accepted

- 1. Develop University-wide policies and procedures for the review of unemployment benefit claims and charges. Protest all potentially ineligible cases.**

Findings: The University failed to develop adequate controls over the review of unemployment benefit claims and payments. During the audit period, 164 former/current employees received almost \$532,000 in unemployment benefits. Some of the problems revealed in 24 of 75 cases tested were as follows:

- In 11 of 75 cases, benefit recipients were working at the University while receiving unemployment benefits;
- In 7 of 75 cases, the University failed to report vacation payments;
- In 4 of 75 cases, the University failed to protest that the individuals resigned from employment;
- In 1 instance, the University failed to protest that the individual was discharged for misconduct; and
- In 5 of 75 cases the University lacked documentation relative to the unemployment activity.

The University is billed for 20% of the money expended on unemployment. The General Revenue Fund contributes 80%.

Response: Accepted. SIU will review its procedures for processing unemployment claims.

- 2. Study the overall cost effectiveness of utilizing and scheduling extra help employees to reduce the overall cost to the state, including unemployment benefits.**

Findings: The University's use of extra help employees results in additional costs to the State that are not reflected in the University's budget. Almost \$532,000 in unemployment benefits was paid to current or former University employees during FY99. Eighty percent of unemployment benefits are deducted from the General Revenue Fund.

Extra Help employees work on an as needed basis and are on call by the University. An extra help employee may work no more than 900 hours in the same department during a 12-month period. Extra help employees are not eligible to earn sick or vacation time from the University. There is no formal system within the University to coordinate or otherwise control the use of extra help employees to minimize unemployment costs.

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During the audit testing, 48% of the cases reviewed (36 of 75) concerning unemployment benefit recipients were laid off extra help employees. Those former employees were paid \$91,804, or an average of \$2,550 for about 12 weeks of unemployment. The auditors

Accepted - concluded

identified five instances where extra help employees were working for the University and receiving unemployment benefits simultaneously.

Response: Accepted. SIU's management of extra help personnel allows the most cost-effective use of State resources. SIU will review procedures in using extra help personnel.

3. Continue to implement the recommendations made in the Management Audit of Tuition and Fee Waivers.

Findings: As of June 30, 1999, SIU had not fully implemented the recommendation made in the Management Audit of Tuition and Fee Waivers (released in April 1998). The recommendations stated that the university should do the following:

- Develop written procedures for reporting waivers, keep accurate information on tuition and fees waived for each program, and establish cut-off dates for accepting waivers. (Recommendation #2)
- Develop a written policy for ROTC waivers. (Recommendation #3)
- Maintain complete selection records on individuals awarded waivers. (Recommendation #7)
- Develop a comprehensive tuition and fee waiver policy. (Recommendation #9)

Tuition and fee waivers comprised about 12% (\$11.7 million of \$97.4 million) in graduate and undergraduate tuition revenue at SIU in FY99.

Response: Accepted. While the comprehensive campus policies and procedures had not been officially adopted by the close of the audit fieldwork, the policies and procedures, as well as the audit recommendations, had been shared with appropriate personnel. Waivers are controlled through the budget process and SIU continues to stay within the 3% IBHE limit.

5. Closely monitor accounting schedules and reconciliations to ensure that individuals preparing the scheduling have the appropriate understanding of their respective responsibilities when recording prepaid expenses, inventory and accounts payable.

Findings: The University had various errors in accounting for prepaid expenses, inventory and accounts payable.

- Several general ledger accounts did not meet the definition of a prepaid expense according to accounting principles. As a result, the Unrestricted Fund prepaid expense balance was overstated by \$78,934.
- Inventory items for the Dental Clinic were not properly valued. Items were recorded at replacement cost instead of actual cost.

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- Several items were received and services were performed prior to year-end which were not accrued for at June 30, 1999. One invoice was accrued for twice.

Response: Accepted.

6. Restrict access to the Student Information System (SIS) and review the SIS access listing for appropriateness.

Findings: Access to the SIS was not sufficiently restricted. Failure to restrict access to a production environment increases the risk of unauthorized activities and can negatively impact normal business functions.

Response: Accepted.

9. Implement a system to provide real time information, detailed by subcodes, comparing expenditures to date and remaining funds available to enable grants administration office to review each expenditure in comparison to the budget for the applicable subcode as well as on an overall award budget basis. (Federal) (Repeated-1997)

Findings: The grants administration office does not have the capabilities to monitor federal grant expenditures for compliance with the awarded budget on an individual expenditure subcode basis. Although total expenditures are reviewed for compliance with the overall award, a financial system is not in place to permit a real time detailed review of expenditures.

The lack of a system that provides real time data to ensure compliance with award budgets may result in overruns of federal awards.

Response: Accepted.

Implemented

4. Follow or clarify policy of not reimbursing employees for their normal commuting expenses.

Findings: SIU reimbursed an employee approximately \$4,500 for travel expenses incurred between the employee's home and his secondary duty station which was the Edwardsville campus. SIU should have submitted an Exception Report for this travel to the Higher Education Travel Control Board.

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Response: Implemented.

Implemented - concluded

7. Enforce policy requiring approval of the payroll distribution sheets before the payroll is processed. (Federal) (Repeated-1998)

Findings: Two of 15 payroll distribution sheets tested were not authorized prior to employee payment of federal grant funds. One of 16 payroll distribution reports tested was not authorized prior to payment or charge to grant. One of 16 EDD Forms tested was found to be unsigned prior to processing of direct deposit payroll.

Response: Implemented.

8. Develop a system or method to maintain adequate records when equipment is purchased with federal awards. (Federal) (Repeated-1997)

Findings: Equipment purchased with federal grant funds was not correctly classified in the property records. For five of the 16 equipment vouchers tested, SIUC property control records did not correctly indicate the percentage of the equipment purchased with federal funds. The portion of the purchased amounts that were incorrectly classified was \$94,997.

Response: Implemented.

Emergency Purchases

The Illinois Purchasing Act (30ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage...prevent or minimize serious disruption in State services or to insure the integrity of State records. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases,' including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the

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Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY99 Southern Illinois University filed six affidavits for emergency purchases totaling \$365,430.62 for the following items:

- \$30,550 for water removal inside the Student Rec Center at SIUC caused by extraordinary rainfall;
- \$22,132 for asbestos abatement at university owned housing in Edwardsville;
- \$52,078 for aircraft repair; and
- \$260,669 to produce three campus concerts.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

Southern Illinois University indicated as of July 19, 1999, the University had nine employees assigned to locations other than official headquarters.

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APPENDIX A

Summary of Expenditures from Appropriations and the Income Fund

Appropriations and Income Fund	<u>FY99</u>	<u>FY98</u>
General Revenue Fund	\$ 189,196,400	\$ 180,713,450
Education Assistance Fund	19,957,500	19,190,000
Income Fund	<u>84,803,447</u>	<u>80,792,675</u>
 TOTAL APPROPRIATIONS and Income Fund	 <u>\$ 293,957,347</u>	 <u>\$ 280,696,125</u>
 <u>Expenditures</u>		
General Revenue Fund		
Personal services	\$ 157,100,500	\$ 150,572,700
Travel	437,300	502,030
Equipment	5,746,700	5,857,587
Commodities	1,711,199	1,630,830
Contractual services	20,014,882	18,256,238
Awards & grants	703,500	854,876
Operate auto equipment	245,700	245,800
Telecommunications	1,078,800	830,900
Southern Illinois collegiate common market	98,900	98,900
Social Security-Medicare	1,658,900	1,457,500
Rural Downstate Health Act	<u>79,716</u>	<u>-</u>
 Total General Revenue Fund	 <u>188,876,097</u>	 <u>180,307,361</u>
 <u>Education Assistance Fund</u>		
Personal services	14,215,200	13,548,700
Travel	-	24,300
Equipment	1,602,100	1,575,400
Commodities	210,800	202,700
Contractual services	3,369,100	3,341,875
Awards & Grants	61,300	4,797
Operate auto equipment	-	-
Telecommunications	388,500	384,000
Social Security-Medicare	<u>110,500</u>	<u>106,200</u>
 Total Education Assistance Fund	 <u>19,957,500</u>	 <u>19,187,972</u>

Appendix A - continued

<u>Income Fund</u>	<u>FY99</u>	<u>FY98</u>
Personal services	50,556,066	50,352,948
Travel	2,813,626	2,523,435
Equipment	8,468,186	6,421,711
Commodities	3,587,255	3,501,302
Contractual services	11,506,449	11,980,346
Awards & Grants	1,209,624	725,076
Automotive equipment	761,602	911,100
Telecommunications	1,638,697	1,899,112
Social Security - Medicare	641,847	615,029
Permanent improvements	49,925	69,018
Total Income Fund	<u>81,233,277</u>	<u>78,999,077</u>
TOTAL EXPENDITURES	<u>\$ 290,066,874</u>	<u>\$ 278,494,410</u>

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APPENDIX B

Current Funds
Summary of Revenues, Expenditures and Other Changes

<u>Revenues</u>	<u>FY99</u>	<u>FY98</u>
Educational & general:		
General Revenue	\$ 189,196,100	\$ 180,310,800
Education assistance	19,956,700	19,190,700
Student tuition & fees	97,358,900	93,168,000
Restricted grants & contracts	80,306,200	73,419,000
Other	103,392,900	111,250,400
Total educational & general	490,210,800	477,338,900
Auxiliary enterprises	58,257,400	54,264,100
Total Revenues	548,468,200	531,603,000
<u>Expenditures & mandatory transfers</u>		
Educational & general:		
Instruction	186,734,025	181,576,900
Research	31,921,356	30,527,700
Public service	46,427,040	41,818,800
Academic support	71,208,201	68,540,900
Institutional support	54,764,093	50,074,900
Operation & Maintenance of plant	44,249,013	43,396,500
Student Services	40,202,715	36,864,700
Scholarships & Fellowships	30,271,028	27,145,600
Total educational & general	505,777,471	479,946,000
Auxiliary enterprises:		
Funded debt	46,024,100	44,216,500
Other	5,481,900	5,318,100
Total expenditures	557,283,471	529,480,600
Mandatory transfers:		
Loan fund matching grant	177,400	196,000
Auxiliary enterprises	5,749,000	5,512,600
Other	1,313,300	1,203,700
Total mandatory transfers	7,239,700	6,912,300
Total Expenditures & Mandatory Transfers	564,523,171	536,392,900
Excess (deficiency) of revenues over expenditures and mandatory transfers	(16,055,000)	(4,789,900)

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APPENDIX C

Accounts Receivable

	<u>FY99</u>	<u>FY98</u>
Current Funds Unrestricted		
Income Fund	\$ 6,339,921	\$ 6,451,493
Service Departments	634,079	638,075
Auxiliary Enterprises	2,197,355	2,379,617
General	<u>4,560,200</u>	<u>4,308,875</u>
Total Current Funds Unrestricted	13,731,555	13,778,060
 Current Funds Restricted	 10,402,257	 8,198,829
 Loan Funds	 15,788,416	 15,189,092
 Plant Funds	 -	 198,373
 Agency Funds	 <u>114,908</u>	 <u>786,105</u>
 TOTAL	 <u>\$ 40,037,136</u>	 <u>\$ 38,150,459</u>

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APPENDIX D

Summary of Property and Equipment

	FY99	FY98
Balance, July 1	\$ 750,670,000	\$ 809,699,000
Add - Buildings	16,390,000	3,886,000
Equipment	14,600,000	48,099,000
Construction in progress	13,806,000	12,140,000
Improvements	631,000	327,000
Land	128,000	-
Total additions	45,555,000	64,452,000
Deduct - Buildings	376,000	71,000
Equipment	3,969,000	122,925,000
Improvements	3,000	267,000
Construction in progress	13,384,000	176,000
Land	18,000	42,000
Total deductions	17,750,000	123,481,000
Balance, June 30	\$ 778,475,000	\$ 750,670,000

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APPENDIX E

Summary of Funds Provided by and to the Foundation

	FY99	
	<u>Carbondale</u>	<u>Edwardsville</u>
Funds provided by the University	<u>\$ 2,206,233</u>	<u>\$ 463,386</u>
Funds/services provided to the University		
Considered unrestricted for guidelines purposes:		
Totally unrestricted	60,414	55,701
Restricted to a particular campus	192,194	182,294
Restricted only as to college	871,269	-
Provided to a particular department	5,463,043	393,353
Restricted for the Athletic Association	802,567	200,819
 Total, guidelines unrestricted	 <u>7,389,487</u>	 <u>832,167</u>
 Considered restricted for guidelines purposes:		
Scholarships	648,478	255,161
Given for certain programs	419,205	235,413
Physical facilities	6,128	-
Other restricted funds	<u>17,880</u>	<u>-</u>
 Total, guidelines restricted	 <u>1,091,691</u>	 <u>490,574</u>
 Total funds provided to the University	 <u>\$ 8,481,178</u>	 <u>\$ 1,322,741</u>

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APPENDIX F

Tuition and Fee Waivers

	Carbondale		Edwardsville	
	FY99	FY98	FY99	FY98
<u>Mandated Waivers</u>				
General Assembly	\$ 234,800	\$ 522,100	\$ 69,200	\$ 98,200
ROTC	227,100	232,500	122,300	115,700
Teachers Education (Special Education)	17,700	37,400	68,000	66,100
DCFS	100	600	7,800	6,700
Senior Citizens		1,100		600
Children of Employees	283,400	204,100	93,500	91,400
Total Mandated Waivers	763,100	997,800	360,800	378,700
<u>Discretionary Waivers</u>				
Faculty/Administrator	210,300	195,400	40,900	44,800
Civil Service	219,200	212,900	69,700	76,600
Dependents of Staff	8,400	8,500	-	2,000
Gender equity/athletic	347,300	318,800	266,300	52,500
Athletic	521,000	437,300		250,500
Academic/other talent	882,200		304,700	173,600
Need based		116,100	28,900	
Foreign exchange	63,400	15,400	-	
Graduate assistance	3,933,900	4,803,000	329,600	915,400
Other	1,866,500	2,076,800	1,481,400	528,900
Total Discretionary Waivers	8,052,200	8,184,200	2,521,500	2,044,300
GRAND TOTAL	\$ 8,815,300	\$ 9,182,000	\$ 2,882,300	\$ 2,423,000

In FY98, other includes cooperating teachers (student teachers); out-of-state students; and student employees.